



December 29, 2009

To: Mayor and City Council

From: Greg Burris, City Manager

Re: **FY2010 Second-Quarter Budget Cut Recommendations**

As we end the second quarter of the City's fiscal year, we are still experiencing a drop in sales tax revenue as well as revenues from other sources – building permits and fees, City Utilities' natural gas Payment In Lieu of Taxes (PILOT), and Municipal Court fines. These shortfalls will impact our ability to meet our budget projection for the 2009-10 budget year unless we experience tremendous revenue growth during the last half of this fiscal year.

Earlier this year, I committed to City Council to evaluate the City's revenues after each quarter and recommend budget adjustments as necessary. The purpose of this memo is to outline those recommended budget cuts as a result of the drop in revenues during the second quarter.

Context

- General sales tax revenues for the second quarter (October 1, 2009 – December 31, 2009) of Fiscal Year 2010 were down 9.76%, which equated to a \$892,500 shortfall. In addition, the City's PILOT from City Utilities' natural gas revenues was down 3%, or \$121,000, compared to budget. Municipal Court fines were down \$150,000, and Building Development fees and permits are below expectations by \$110,000. Combined, these create a total second-quarter shortfall of \$1,273,500 (see Attachment A).
- As a reminder, the General Fund budget funds all or a portion of the following operations: Building Development Services, City Attorney's Office, City Clerk's Office, City Council, City Manager's Office, Finance, Fire, Health, Human Resources, Information Services, Municipal Court, Parks, Planning & Development, Police, Public Information, and Public Works. Some of these departments have alternate funding sources, but any budget reductions to the General Fund will impact some or all of these functions.

- The City has already cut \$13.7 million from its General Fund budget during the past two fiscal years -- \$7 million in FY09 and \$6.7 million thus far in FY10. If approved by Council, these additional cuts for this second quarter of FY10 will put us at \$15 million in cuts over this period.

Similar to the first quarter, I am recommending the second-quarter budget cuts be accommodated via a combination of hiring freeze savings and specific departmental budget reductions.

Savings from Hiring Freeze

As you know, we have continued the hiring freeze that was implemented in January 2009. We continue to experience additional resignations and retirements, and currently have 114 full-time positions frozen. While we did assume the positions frozen at the time the FY10 budget was developed would remain frozen through Fiscal Year 2010, we did not budget for additional resignations and retirements. The collective savings in the second quarter of Fiscal Year 2010 from these additional vacant positions is \$645,000.

Departmental Budget Cuts

As we did following the first quarter, the Leadership Team and I have tried to retain as many public services as possible while accommodating these cuts. To accomplish this for the second quarter, we have focused on a few areas where we believe we can accommodate the reductions without severely impacting services to the community (see Attachment B).

The following are some of the major points regarding the impact of various departmental budget cuts:

- The Health Department will be able to balance their budget this year without \$225,000 of their transfer from the General Fund as a result of their recent grant for the H1N1 vaccine distribution. They have been able to cover some of their expenses via these grant funds and will, therefore, rely less heavily on the General Fund support. This will likely be a one-time opportunity and will have to be re-programmed into the FY11 budget. This option was not available to us prior to the first-quarter budget cuts since the contract was not approved until September.
- Several changes have been implemented related to our telephone services throughout the General Fund departments that will allow us to save approximately \$33,500 during the FY10 budget.

- In an effort to establish a reserve for maintenance of the Busch Building, we reserved \$100,000 in our non-departmental account for FY10. This reserve will be eliminated for FY10 and until such time as revenues are available to restore such a reserve. Delaying the maintenance of this building as well as others is a difficult decision; however, we feel that this is a choice we must recommend for this year.
- We will eliminate \$100,000 of the Department of Public Information's capital reserve that was established to fund television equipment replacements and other capital needs. Thus, some needed capital replacements will be delayed.
- The Public Works budget cut will result in a reduction of facility cleaning frequency saving approximately \$63,000 for the remainder of FY10. They will also delay capital equipment purchases in the amount of \$100,000.
- Some employees have elected to take voluntary furloughs during the second quarter of FY10. The total savings from these voluntary furloughs was \$7,000.

Summary

Developing and recommending these second-quarter budget reductions has been another painful process. To achieve these recommendations, the Leadership Team and I considered a variety of options. I feel these recommended actions are the most prudent at this time.

If these recommendations are approved, the identified funds will be swept from these budgets now rather than waiting to sweep them at the end of the fiscal year. This action will prevent the spending of funds that have already been cut.

I am scheduled to answer your questions about these recommendations during your January 5th Council lunch meeting. However, please feel free to contact me in advance about any questions you have about these recommendations.

Attachments